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Finance (1948) Department.

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G.O. No.	349
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Dated	8.4.48.

[Despatch Abstract.]

Ways and Means - Public Debt Office of the Reserve Bank of India, Madras - Inspection by the Audit Department - Report for 1946-47 - Recorded.

OFFICE OF THE ACCOUNTANT-GENERAL, MADRAS.
FORT ST. GEORGE,
Dated 29th March 1948.

No.
OA.331.27/47-48/473.

From

THE ACCOUNTANT-GENERAL,
MADRAS

To

The Secretary to the Government of Madras,
Finance Department, Fort St. George, Madras.

Sir,

Subject :- Inspection of Public Debt offices.

I have the honour to forward herewith a copy of the report on the inspection of the Public Debt Office, Madras recently conducted by the Outside Audit Department of this office.

I have the honour to be,
Sir,
Your obedient servant
Sd. x x
Deputy Accountant-General,
(Outside Audits)

Report on the inspection of the accounts of the Public Debt Office, Madras for the year 1946-47

I. A local test audit of the accounts of the Public Debt Office, Madras for the year 1940-47 was taken up on the 6th February 1948 and completed on the 3rd March 1948. The accounts of the debt transactions of the Central Government as well as of the Madras Government were test audited generally on the lines laid down in Rai Bahadur Bindra Ban's Report as modified by the Auditor General in his letter No. ~~xxx~~ 562-Admn.20-Admn.I-40 dated 5-11-1940. Particulars of checks actually exercised by audit are indicated in the Appendix (Parts I and II) to this report

II. The transactions of the Bombay, the Punjab, Central Provinces and Berar, United Provinces, Assam and North West Frontier Provinces Governments ar were also generally test checked.

III. ADMINISTRATION: The following Officers held charge of the Public Debt Office, Madras during the period covered by the audit.

Manager - Mr.R.M.Koppikkar
Accountant- Mr. J. Bhagyam
" E.J.D'Costa
" R.N.Bhattacharya.

IV. Issue of New Loans.

The following loans were floated during 1940-47...

CENTRAL.

i. 3% Conversion Loan 1946
ii. 2½% Loan 1976
iii. 2½% Loan 1961
iv. 2½% Loan 1954

PROVINCIAL.

i. 3½% U.P. Loan 1961
ii. 2½% Madras Loan 1961

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One of the main administrative checks prescribed is that the Register of Application relating to the new Loans should be examined to see that sums refundable as shown therein agree with those actually refunded as per the Refund Warrant Register. In the case of itesm (i) and (ii), under Central, the two loans were issued under conversion terms according to which 3½ % Non-terminable loans of 1842-43, 1954-55, 1865, 1879 and 1900-01 were accepted in lieu of cash, the issue price in respect of item (ii) however, being only Rs.99%. Consequently, refunds were due against this loan. Refunds were due in respect of item (i) also though issued at par, in view of the fact that one of the loans tendered for re-conversion were in multiples of 50 also.

Items (iii) and (iv) were issued at par but in the case of (iii) viz. 2½ % 1961, the loan was oversubscribed and consequently only partial allotment was made.

The two provincial loans were issued at a premium of annas eight per Rs.100/-

(b) The loan issue Register at present does not show separately the progressive totals on account of new loans issued and therefore much time was spent by audit in working out the figures of new loans and to effect an agreement with the value of New Scrip issued and as worked out in the consolidated statements. It is explained that the total loan issued as per Issues Register is worked out and reconciled with the figures included in the consolidated statement of New loans sent up to Calcutta. It is suggested that the working sheet effecting this reconciliation may be kept in the file relating to the new loan concerned for a facility of audit check.

V. Audit of vouchers for interest paid at muffssal treasuries.

Paid vouchers up to August 1947 only in respect of Central Loans and November 1947 only in respect of Provincial loans are reported to have been received from the Accountant General, Madras. The latest quarterly report of progress of work in connection with the audit of interest vouchers, submit to the Public Debt Office, Central Office, Bombay shows no arrears in this regard. A number of cases of excess and double payments of interest including short recoveries on account of Incometax were noticed during the course of their internal audit Prompt action has been taken for the regularisation of these irregularities in all cases.

The excess payments referred to above were mainly in respect of Central Loans redeemed during the year and were due to the fact that the Treasury Officers or the Sub Treasury Officers concerned paid interest beyond the date of redumption of these loans (i.e.) 15th September 46.

VI. From a general review of the Interest check Registers and Interest Draft Registers, it is observed that the dates of payment of interest have not been filled in in a number of instances, (vide Annexure). It will be seen therefore that there are instances where the interest cage of particular half year is left blank while the interest cage for the subsequent half year has been filled in. The omissions may please be supplied in them and similar cases if any.

VIII. 5% Loan of 1945-55 (underentralised loan).

The loan was redeemed in October 1945. The balances outstanding as per the books kept in the Central Office, Bombay as on 31-12-47 is Rs.64,700/-.

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It is understood that the balance outstanding as per the books of the Public Debt Office, Madras (Viz.General check Register and Stock Issue Register) is being worked out for reconciliation with the figure as per issue registers kept at the Calcutta Public Debt Office and for final reconciliation with the figures as communicated by the Central Office, Bombay as above. A report regarding the reconciliation of the Loan balance is awaited.

VIII. Thanks are due to the Accountant, Public Debt Office, Madras and his staff for rendering all possible help to the audit party in conducting the audit.

ANNEXURE TO PARAGRAPH VI.

NAME OF LOAN.	Nos. of notes.	REMARKS.
1. 3½% loan of 1954-59	M.S. 000425 M.S. 000311 M.S. 000356 M.S. 000357	The cages in the interest check register for the half years ending 15-6-45, 15-12-45 and 15-6-46 are blank although the cages relating to the subsequent half year has been filled in.
2. 2¼% Madras Loan 1961	M.S.001450 to M.S.001457 M.S.001766 M.S.001767	Interest cage for the half year ending 1-3-47 is blank although the date of payment for the subsequent half year was posted.
3. 3% conversion Loan of 1946.	M.S.004686	The note was cancelled for renewal on 19-1-48. The dates on which interest for the half years ending 16-3-47 and 16-9-47 were paid, may please be noted in the interest check register.

APPENDIX-PART I.

LOANS OF THE CENTRAL GOVERNMENT.

Statement of checks carried out during the local inspection of the Public Debt Office, Madras.

1. Blank Border Forms of New notes. Stock - Certificates etc.

The receipts in the Stock Register of New Notes, Border Forms etc., during the year 1940-47 were checked with the indents and the original advices received from the Public Debt Office, Calcutta, for each denomination.

The issues shown in the stock register in respect of the loans (Vide margin*) were checked in full with the Indent Registers and Issue Registers.

i. 2½% 1976
ii. 2½% 1954
iii. 2½% 1960

It was also seen that the balances in the Stock Register were verified once a quarter by a responsible official of the Bank specially deputed for the purpose.

SPOILT FORMS. An account of the spoiled forms was maintained in a separate Register and the forms were destroyed periodically.

2. ISSUE OF NEW LOANS:

The accounts of forms of new notes and Blank Border Forms received from the Public Debt Office, Calcutta, were

checked in respect of the four Central Loans floated during the year. All forms of notes shown as issued were traced into the Issue and Interest check Registers. The amount of loan accounted for in the Local ledger was agreed with the total amount of scrip shown as issued in the issue Registers.

Conversions of the 3½% loans of 1842-43, 1854-55, 1865 1879 and 1900-01 into the 3% conversion loan 1946 and 2½% loan of 1976 were checked in the prescribed manner.

The amount of the new loan as accounted for in the local books was agreed with the abstract from the Central Ledger received from the Public Debt Office, Calcutta.

3. INTEREST PAYMENTS.

A. PAYMENTS AT THE MADRAS PUBLIC DEBT OFFICE.

i. GOVERNMENT PROMISSORY NOTES.

The interest payments made during March 1947 in respect of the two loans indicated in the margin* were checked.

*3% Conversion loan of 1940
4% Loan of 1960-70

ii. BEARER BONDS.

Payment of interest on Bearer Bonds relating to 3½% Loan of 1854-55 was generally checked.

iii. Stock certificates and Deposit receipts

The prescribed checks were carried out in respect of the 3% Second Victory Loan of 1959-61.

iv: SUBSIDIARY GENERAL ACCOUNT.

The following two loans were selected for test check.

1. 4% Loan of 1960-70 and
2. 3% First Development Loan of 1970-75.

The balances were found to have been correctly worked out for the half year for which interest was paid and the fact of issue of interest draft had also been recorded in the subsidiary General Ledger Accounts against each half year's balance on the due dates of interest payment.

B. GENERAL CHECKS IN RESPECT OF ALL CLASSES OF SECURITIES.

Ten volumes of Interest Check Registers relating to Government Promissory Notes were examined and more than 100 index cards relating to stock certificates were also checked.

C. PAYMENTS AT MOFUSSAL TREASURIES.

Interest payment vouchers relating to March 1947 in respect of the two loans selected were subjected to the prescribed checks.

It was also seen by reference to the schedules for March 1947 received from the Audit Office that all the vouchers had been posted in the Interest Check Registers.

D. REPATRIATION OF THE GOVERNMENT OF INDIA STERLING LOANGS.

A few cases of payment of interest on the converted securities (in respect of the loans noted in the margin*) enfaced for payment at Madras were checked with the Issue and Interest Payment Registers. No other records in regard to the converted securities are maintained in the Madras Public Debt Office.

*1.	3½% loan	1954-55
2.	4%	1948-49
3.	4½%	1950-55
4.	4½%	1958-68.

4. Renewal of securities, conversion of one form of security into another of the same loan and re-enfacements.

RENEWALS AND CONVERSIONS. The prescribed checks were carried out in the following cases.

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i. 4%CONVERSION LOAN OF 1960-70. The entries in the several registers were checked infull for May 1946 with the vouchers and postings in the Day Book and Ledger.

In the case of Subsidiary General Ledger Accounts, the postings relating to the cancellation of scrips and the issue of New Notes were checked in the prescribed manner.

REENFACEMENTS. About 50 advices of reenfacements from other circles to the local circle and of local securities cancelled by other Public Debt Offices and a few cases of reenfacements within the Madras Circle were also checked.

5. CONVERSION FROM ONE LOAN TO ANOTHER.

(a) Several items of the loans detailed in the margin* converted into 3% conversion loan of 1940 and 2½% loan of 1970 were checked.

*3½% loan of 1842-43
" 1845-55
" 1865
" 1879
" 1900-01

(b) It was noticed that in the case of loans which were offered for conversion into 2½% of 1976, the name of the loan was wrongly noted as 3% conversion loan of 1946 instead of 2½% loan of 1976 in the Issue and Interest check Registers of the respective is old loans. Necessary correction may please be made in the relevant issue and interest check registers.

6. PAYMENT OF SECURITIES TENDERED FOR DISCHARGE.

The prescribed checks were exercised in respect of more than 200 entries relating to the five Central loans redeemed during the year. The discharged notes were actually verified in certain cases.

7. Allotment letters and certificates and

7-(a) Pay orders - There were no cases.

8. STOPPED, LOST OR UNCLAIMED SECURITIES.

A number of items of stoppages were traced into the stoppage Register.

9. WRITE OFF OF OUTSTANDING BALANCES.

During the year 5½% War Bonds 1925 of the Face Value of Rs.2,275/- outstanding in the books of the Public Debt Office, Madras as below were written off. Vide Reserve Bank of India, Calcutta letter No.P.D.O.Dt. 1495 dt. 34-45 dated 30-4-46 and adjusted on 6-5-46.

Government Promissory Notes	Rs.1,100
Stock certificates	1,175
	2,275

10. PAYMENT TO THE RESERVE BANK FOR MANAGEMENT OF THE PUBLIC DEBT

The office copies of the statement of stock certificates of over Rs.50,000/- and the holdings of the Government of India, Finance Department in the Subsidiary General Ledger Account which were sent to the Central Accounts Section by the Public Debt Office Madras in connection with the preparation of commission bills were checked.

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11. BROKERAGE IN CONNECTION WITH THE ISSUE OF NEW LOANS DURING THE YEAR.

Applications received at the Public Debt Office on which brokerage is not payable are marked with the distinguishing letters "NB". Brokerage was calculated in respect of the remaining applications and the statement as sent to the Public Debt Office, Calcutta was duly verified.

12. ADVERTISEMENT CHARGES IN CONNECTION WITH THE ISSUE OF NEW LOANS.

The charges were checked with the bills received.

APPENDIX--PART II.

PROVINCIAL--MADRAS.

GOVERNMENT LOANS.

Statement of checks carried out during the local inspection of the Public Debt Office, Madras.

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1. Blank Border Forms of new notes, stock certificates etc.

The receipts in the Stock Register of new notes, border Forms etc. during the year 1946-47 were verified with the indents and the original advices received from the Public Debt Office, Calcutta for each denomination.

The issues shown in the stock Register for the two loans (Vide Margin*) were checked with the relevant Issue Registers.

*3% Madras Loan 1960.
2½% Madras Loan 1961.

It was also seen that the balance in the Stock Register were verified once a quarter by a responsible Official of the Bank specially deputed for the purpose.

2. ISSUE OF NEW LOANS.

Only one loan viz. 2½ % loan of 1961 was issued by the Madras Government during the year. The accounts of new notes and blank border forms received from the Public Debt Office, Calcutta were checked. All forms of notes shown as issued were traced into the Issue and Interest check Registers. The amount of the loan accounted for in the local ledger was agreed with the total amount of scrip shown as issued in the ISSUE Registers.

The total amount of the loan accounted for in the Central ledger was also agreed with the totals of the local Issue Registers and of the statements received from other Public Debt Offices.

There was no oversubscription, partial allotment or refund.

The applications in a few cases were checked with the receipts granted to the applicants and also the counterfoils which were all filed together.

p.t.o.

3. INTEREST PAYMENTS.

A. PAYMENTS AT THE MADRAS PUBLIC DEBT OFFICE.

(i) GOVERNMENT PROMISSORY NOTES.

Vouchers for the month of March 1947 relating to 3% loan of 1952 were selected and checked.

(ii) BEARER BONDS. There were no items

(iii) Stock Certificates, Deposit Receipts etc.

(iv) SUBSIDIARY GENERAL LEDGER ACCOUNTS.

The prescribed checks were carried out in respect of payments relating to 3% loan of 1959.

B. GENERAL CHECK IN RESPECT OF ALL SECURITIES.

Ten volumes of the interest check registers were generally reviewed.

C. PAYMENTS AT MOFUSSAL TREASURIES - Interest payments relating to the 3% Loan of 1952 made in March 1947 were checked. It was also seen by reference to the schedules received from the Audit Office that all vouchers had been posted in the Interest Check Registers.

4. Renewal of securities conversion of one form of security into another of the same loan and reenfacements.

RENEWALS AND CONVERSIONS.

The prescribed checks were carried out in respect of the transactions during the year in regard to the 3% loan of 1952, the entries in the Issue and interest check Registers being checked with the vouchers and postings in the Day Book and Ledger.

REENFACEMENTS.

About 50 advices of reenfacement from other circles to local circle and of local securities cancelled by other Public Debt Offices and a few cases of reenfacements within the Madras Circle were checked in the prescribed manner.

5. CONVERSION FROM ONE LOAN TO ANOTHER.
No cases.

6. PAYMENT OF SECURITIES TENDERED FOR DISCHARGE.

No loans of the Madras Government matured for payment during the year and no securities of the Madras Government loan were cancelled for reduction of loan balances during the year under review.

7. Allotment letters and certificates and 7(a). Pay orders. No cases.

8. STOPPED, LOST OR UNCLAIMED SECURITIES.

The record of stoppages in the Stop Register, Issue Registers and Interest Check Registers was checked.

9. WRITE OFF OF OUTSTANDING BALANCES. There were no cases.

10. Remuneration to the Reserve Bank of India for the management of the Public Debt.

The outstanding balances of loans on 30-6-1940 and 31-12-1940 on which commission was claimed were checked with the Central Ledger. The figure under "Holdings by the Reserve Bank of India of Securities on behlaf of individual administrations, where the total holdings in the case of such administrators amount to Rs.50,000/- and over" as communicated by the Reserve Bank of India (Securities Department) were checked. The amount of such securities for the half year ended 30-6-46 did not exceed one crore and hence was not excluded for the purposes of calculation of commission for that half year.

11. BROKERAGE IN CONNECTION WITH THE ISSUE OF NEW LOANS.

Items in respect of which brokerages was not payable were marked with the distinguishing letters. "N.B.". The total of the applications marked "N.B." was worked out and deducted from the total amount of the applications received at the Public Debt Office. It was seen that brokerage was calculated and paid on the balances worked out as above.

12. COMMISSION TO UNDERWRITERS.

The payment on account of Commission paid to underwriters in respect of the 2½% Madras Loan of 1961 was checked with the relevant papers and orders.

13. ADVERTISEMENT CHARGES.

The amounts claimed were checked with the bills received from the Newspaper Offices.

14. Postage charges for the management of the Public Debt.

The claims were checked with the separate postage register kept in the Public Debt Office.

15. Acceptances of the loan balances by the Provincial Government.

It was seen that the acceptance of the Madras Government for the loan balances as on 31-3-1947 had been obtained and kept on record.

Sd. K. Vaidyanathan,
29th March 1948. Deputy Accountant General.

p.t.o.

FINANCE (W.& M.)

Sub: Inspection of Public Debt Office, Madras 1946-7 - Report.

From the Accountant General, Madras
No.O.A.331-27/47-48/473.dated 29-3-1948.

The report of the Accountant General on the inspection of the Public Debt Office, Madras for 1946-7 is submitted for perusal.

2. The accounts of the debt transactions for 1946-7 of the Centaal Governnment as well as of this Government were test audited and particulars of checks actually exercised ~~afxx~~ are indicated in the appendix, ~~deals~~ pages 4-8 deals with loans of the Central Government while part II deals with Madras Government loans. No special remarks are called for.

3. The report may be recorded in a Mis.G.O. vide.

G.O.No. 309,Finance, dated 2-5-47.

G.O.No.M.s349, Finance, dated 8-4-1948.
Ways and Means - Public Debt-Office of the Reserve Bank of India, Madras - Inspections by the Audit Department - Report for 1946-47 Recorded.

Sd. K.V. 8/4/48.

/True copy/

for Superintendent,
MADRAS RECORD OFFICE.

PSR. 23-6-53.